

Minutes of the Special Meeting of the Gallup City Council, City of Gallup, New Mexico, held in the Council Chambers at City Hall, 110 West Aztec Avenue, at 4:30 p.m. on Tuesday, January 12, 2016.

The meeting was called to order by Mayor Jackie McKinney.

Upon roll call, the following were present:

Mayor: Jackie McKinney

Councilors: Linda Garcia
Allan Landavazo
Yogash Kumar
Fran Palochak

Also present: Maryann Ustick, City Manager
George Kozeliski, City Attorney

The Mayor and Councilors conducted a work session pertaining to the following item:

1. Electric Ten-Year Financial Plan – Richard Matzke, Director, Gallup Electric Department

Mr. Matzke presented an overview of the financial landmarks that the Electric Department has faced during the past two years:

- July 1, 2013 – the City began a 364-day contract extension with Public Service Company of New Mexico (PNM) which included a substantial wholesale rate increase to the City.
- September 2013 – the City enacted a 12% retail rate increase to all its customers.
- June 30, 2014 – the City began its first year of a contract with Continental Divide Electric Cooperative (CDEC), which resulted in approximately \$5 million decrease in its wholesale power costs during the first year of the contract.
- August 2014 – the City enacted a 3.5% retail rate decrease to its customers.
- January 2015 – the City enacted an 8% retail rate decrease to its customers.
- July 1, 2015 – the City began its second year of a contract with CDEC which included a 26% wholesale rate increase which is an approximate \$1.8 million impact to the City's wholesale power cost.

Mr. Matzke said the City consulted with RBC Capital Markets to prepare a ten-year financial plan for the Electric Department, which includes a review of long-range capital improvements, expense projections, a minimum fund balance recommendation, annual fund balance projections and an annual revenue requirement which will be used in future rate decisions.

MINUTES

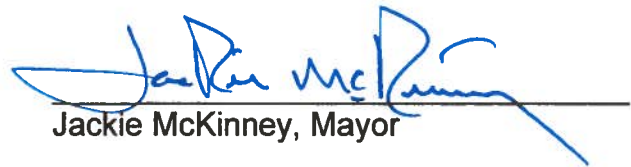
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Paul Cassidy of RBC Capital Markets provided a power point presentation on the Electric Department's Financial Plan. A copy of the power point is attached hereto and made part of these official Minutes. Mr. Cassidy said the financial plan should not be considered a rate analysis; however, the plan will help develop a revenue requirement model which will be used in making future rate decisions. The costs of providing services are typically determined based on a rate study or a cost of service study in which the costs are allocated among the various classes of users in the electric system. In explaining the projected net revenue available for debt service and coverage, Mr. Cassidy said an 8.75% rate increase is needed every year through 2026 to prevent rate spikes, to absorb Capital Improvement Project (CIP) costs and to end with the operating fund balance of a recommended minimum of 150 days cash on hand. If there is a delay in implementing the 8.75% increase by July 1, 2016, the rates will need to be increased by 9.8% on an annual basis. Based on conservative assumptions, the rate required for the annual increase could be reduced from 8.75% to 7.8% if the City financed \$2.015 million in 2018 and \$2.565 in 2020, through a loan agreement with the New Mexico Finance Authority or the public market. In concluding the presentation, Mr. Cassidy recommended that the City proceed with a cost of service study as soon as possible, implement a 1 year rate increase by adopting a rate ordinance (rates may be adjusted in the future based on the results of the cost of service study), and to analyze the financial plan every 12 months.

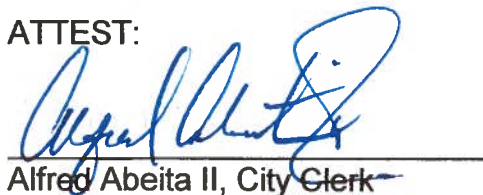
Discussion followed concerning the work being done to separate the financial data for each of the City's utilities and the need to review the financial model for the Navajo Gallup Water Supply Project and the City's waste water system.

There being no further business, the Work Session adjourned until the Regular Meeting at 6:00 P.M.



Jackie McKinney, Mayor

ATTEST:



Alfred Abeita II, City Clerk

Approved 1/26/2016

City of Gallup

Electric Utility Overview and Finances

January 12, 2016

STRICTLY PRIVATE AND CONFIDENTIAL

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Overview of Utilities



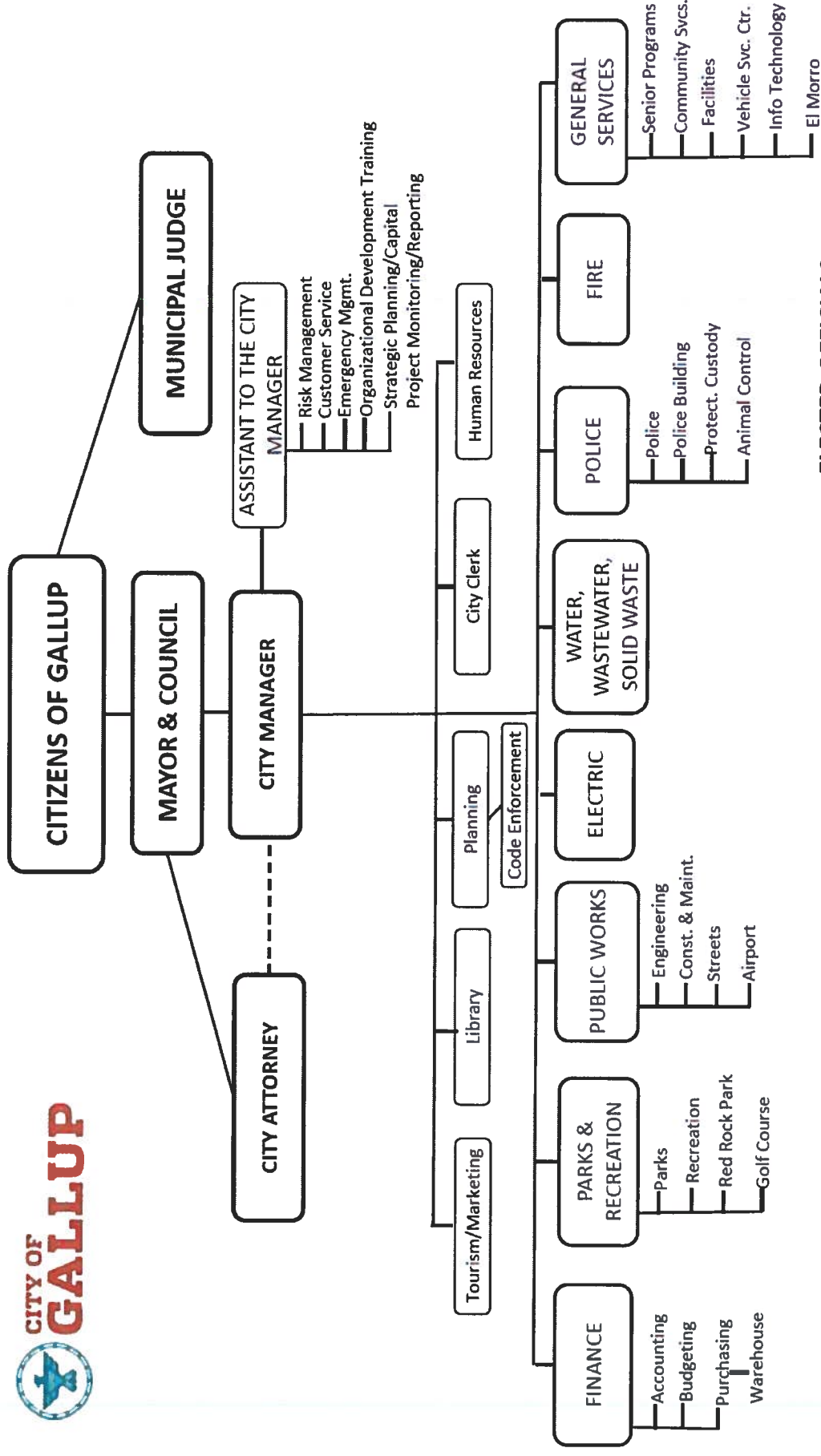
RBC Capital Markets

The City of Gallup (the "City") is a charter municipality under New Mexico (the "State") law. The City was incorporated under Chapter 32, Session Act of 1891 in the Territory of New Mexico. Located in the northwestern portion of the State, Gallup is approximately 20 miles from the Arizona border. The City has a land area of 13.35 square miles and a population of approximately 20,289. The City's economy is based on government activity, retail trade, tourism and coal mining.

- The City operates under a Council-Manager form of government
- Four councilors are elected from districts for four-year staggered terms
- Non-partisan elections are held biannually
- The Mayor is presiding officer of the Council and is elected at large for a four-year term
- A City Manager is appointed by the Council to act as Chief Administrative Officer of the City

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>	<u>Occupation</u>
Jackie McKinney	Mayor	March 2019	Retired
Linda Garcia	Councilor	March 2017	Retired
Allan Landavazo	Councilor	March 2019	Businessman
Yogash Kumar	Councilor	March 2017	Businessman
Fran Palochak	Councilor	March 2019	Retired

Organizational Chart



ELECTED OFFICIALS
APPOINTED OFFICIALS
DEPARTMENT HEADS
 Division Heads

Strategic Goals – Utility

Proposed Strategic Goals (2015 – 2019)

Fiscal Responsibility

- Operate at a level that will qualify for a high 'A' category bond rating
- Maintain stable and competitive electric rates

Service Delivery Excellence

- Maintain high level of service availability, minimize interruptions, reduce outage restoration time
- Build in capacity for growth
- Timely response to customer requests

Infrastructure Development

- Update and modernize electric system
- Design and build in operational flexibility
- Predictive/preventative maintenance program

Quality of Life/Community Identity

- Project quality in appearance of facilities and equipment
- Establish reputation as a quality employer in the region
- Provide support to City Departments and the community

Summary Overview

- The City currently owns and operates four public utilities: solid waste, water, wastewater, and electricity.
- The day-to-day management of the System is under the direction of two Directors of Utilities; Director of Electric Utility and Director of Water/Wastewater/Solid Waste Utilities.
- The Utility division employs 67 FTEs
 - Electric employs 25.6
 - Water employs 13.4
 - Wastewater employs 12.3
 - Solid Waste employs 15.7
- Recommended minimum 150 days cash on hand operating fund balance target for electric utility.
- Overall rates are set by council to provide sufficient operating funds as well as funds for infrastructure and service expansion.

Electric Utility Overview



RBC Capital Markets

Electric System Overview

The City of Gallup does not own any electric generating capacity at present. The City's Electric System owned and operated for the purpose of receiving electric energy at transmission voltage levels and distributing to its ultimate customers. The substations, transformers and distribution lines are owned by the City. The City-owned transmission lines interconnect with lines owned by Public Service Company of New Mexico and Tri-State Generation and Transmission Association. The current total capacity of the five substations utilized by the City is approximately 89 megawatts. The City currently requires approximately 41 megawatts of power.

Electric power is purchased from the Continental Divide Electric Cooperation "CDEC" pursuant to a contract effective June 30, 2014 and continuing through June 30, 2022.

In addition to power purchased from CDEC the City also has access to provided federal power from the Western Area Power Administration

The Electric Department facilities are generally less than 40 years old. The City considers the facilities to be in fair condition, and the Electric Department has approved and is working toward implementation of a preventive maintenance program to improve and maintain the facilities.

The Top 10 customers of the Electric Utility has consistently accounted for ~17% of the annual consumption and approximately 16% of the annual electric system revenue.

The overall demand has **decreased** by 17,589,218 kWh or 7.89% since 2010

- The residential demand has **decreased** by 7.12% since 2010
- The commercial demand has **decreased** by 11.05% since 2010
- The industrial demand has **increased** by 64.09% since 2010

The overall revenue has **increased** \$1,670,009 or 8.02% since 2010

- The residential revenue has **increased** by \$514,240 or 10.30% since 2010
- The commercial revenue has **increased** by \$785,640 or 5.09% since 2010
- The industrial revenue has **increased** by \$370,129 or 95.37% since 2010

Source: City of Gallup

Electric System Overview: Rate Schedule – Current Fiscal Year and 5 Years Historical

The city calculated the monthly bill based on 2 components (1) Energy Charge (kWh) and Demand (kW) for large commercial customers. The City bills customers monthly for the electric system, based on a set schedule. The rates are approved by the City Council.

Current Year		Historical						
FY16		FY15	FY14	FY13	FY12	FY11	FY10	
Residential Service Rate:								
Energy Charge:								
First 50 kWh	Included in Minimum Service Charge of \$6.41	\$ 6.41	\$ 7.22	\$ 6.45	\$ 6.45	\$ 6.31	\$ 6.17	
Over 50 kWh	\$0.1068 per kWh	\$ 0.1068	\$ 0.1203	\$ 0.1074	\$ 0.1074	\$ 0.1003	\$ 0.0933	
General Service-Small (Non-Residential Rate: Consumption < 40,000 kWh per month (demand < 100kW))								
Energy Charge:								
First 100 kWh	Included in Minimum Service Charge of \$12.83	\$ 12.83	\$ 14.48	\$ 12.90	\$ 12.90	\$ 12.63	\$ 12.36	
Over 100 kWh	\$0.1141 per kWh	\$ 0.1141	\$ 0.1285	\$ 0.1147	\$ 0.1147	\$ 0.1075	\$ 0.1003	
General Service-Medium (Non-Residential Rate: Consumption >= 40,000 kWh per month (demand >= 100kW))								
Demand Charge								
First 100 kW	Included in Minimum Service Charge of \$1,400.00	\$ 1,400.00	\$ 1,534.43	\$ 1,370.03	\$ 1,370.03	\$ 1,341.74	\$ 1,313.13	
Additional Demand	\$11.96 per kW	\$ 11.96	\$ 15.90	\$ 14.20	\$ 14.20	\$ 13.66	\$ 13.13	
Energy Charge:								
All kWh	\$0.0727 per kWh	\$ 0.0727	\$ 0.0791	\$ 0.0706	\$ 0.0706	\$ 0.0643	\$ 0.0580	
Municipal Service General Rate:								
Energy Charge:								
All kWh	\$0.0528 per kWh	\$ 0.0528	\$ 0.0595	\$ 0.0531	\$ 0.0531	\$ 0.0942	\$ 0.0873	
Municipal Service Joint Utilities Rate:								
Energy Charge:								
All kWh	\$0.0738 per kWh	\$ 0.0738	\$ 0.0803	\$ 0.0742	\$ 0.0742	\$ 0.0946	\$ 0.0877	
Outdoor Area Lighting:								
Energy Charge:								
150 Watt	\$6.38 / Month	\$ 6.38	\$ 6.34	\$ 5.66	\$ 5.66	\$ 5.54	\$ 5.42	
250 Watt	\$14.62 / Month	\$ 14.62	\$ 14.50	\$ 12.95	\$ 12.95	\$ 12.68	\$ 12.41	
400 Watt	\$18.28 / Month	\$ 18.28	\$ 18.14	\$ 16.20	\$ 16.20	\$ 15.87	\$ 15.53	
Metered Street and Highway Lighting Rate:								
Energy Charge:								
All kWh	\$0.1010 per kWh	\$ 0.1010	\$ 0.1138	\$ 0.1016	\$ 0.1016	\$ 0.0946	\$ 0.0877	

Electric System Power Supply Resources

▪ Delivery Points

The delivery points for CDEC to sell and deliver, and the City to receive and purchase are:

Under the City's NITSA with PNM:

- A. Ambrosia 230 kV switchyard
- B. San Juan 345 kV switchyard
- C. Blue Water 115 kV switchyard

▪ Designated Network Resources

Under the City's NITSA with PNM and Tri-State's transmission function, the designated Network Resource ("DNR") shall be within the agreement between CDEC and the City.

The generation resources to be used by CDEC to provide Firm Power to the City include, but shall not be limited to:

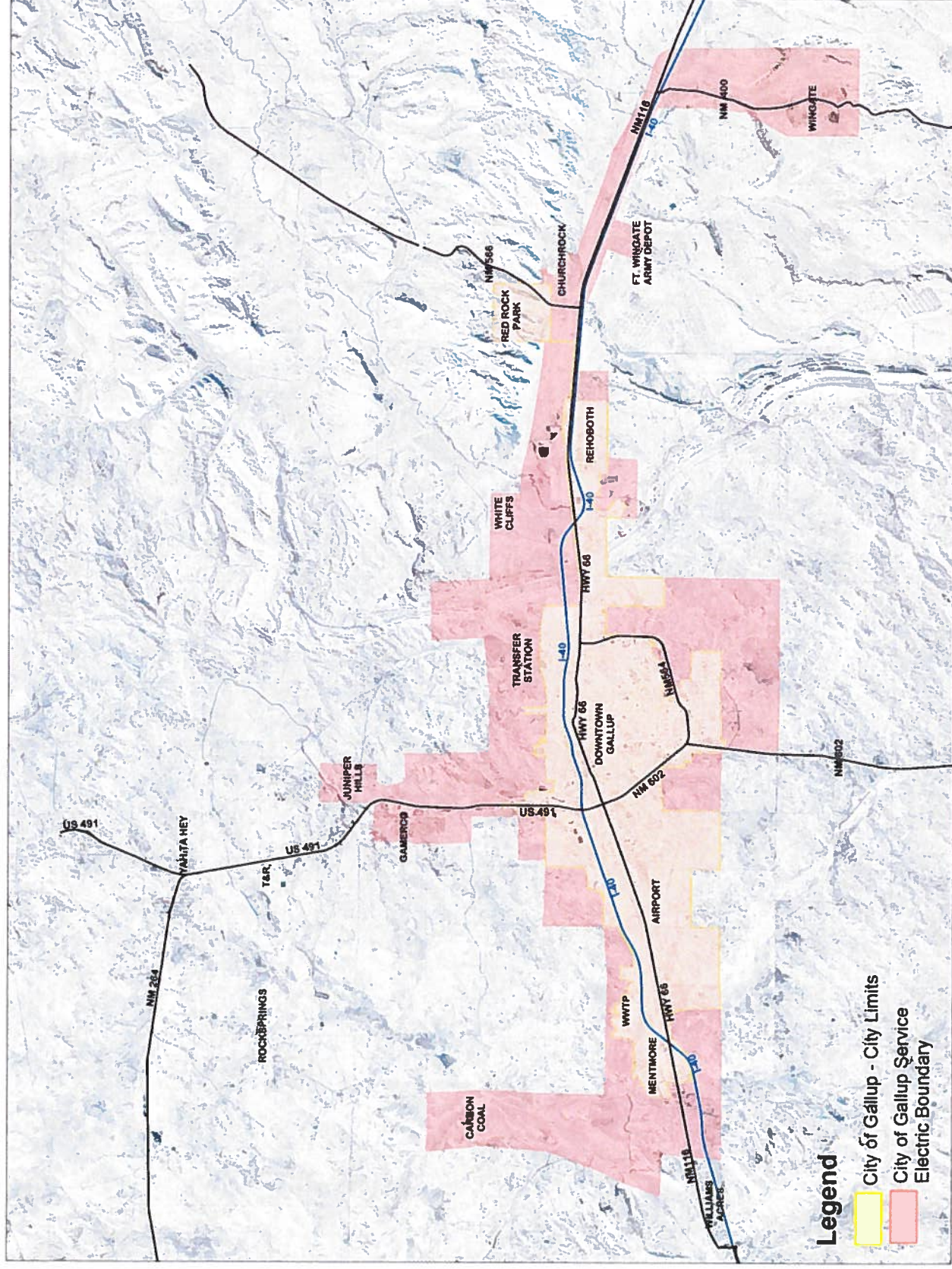
- A. Prewitt Escalante Generation Station
- B. Springerville Unit #3
- C. San Juan Unit #3

▪ City Metering Points

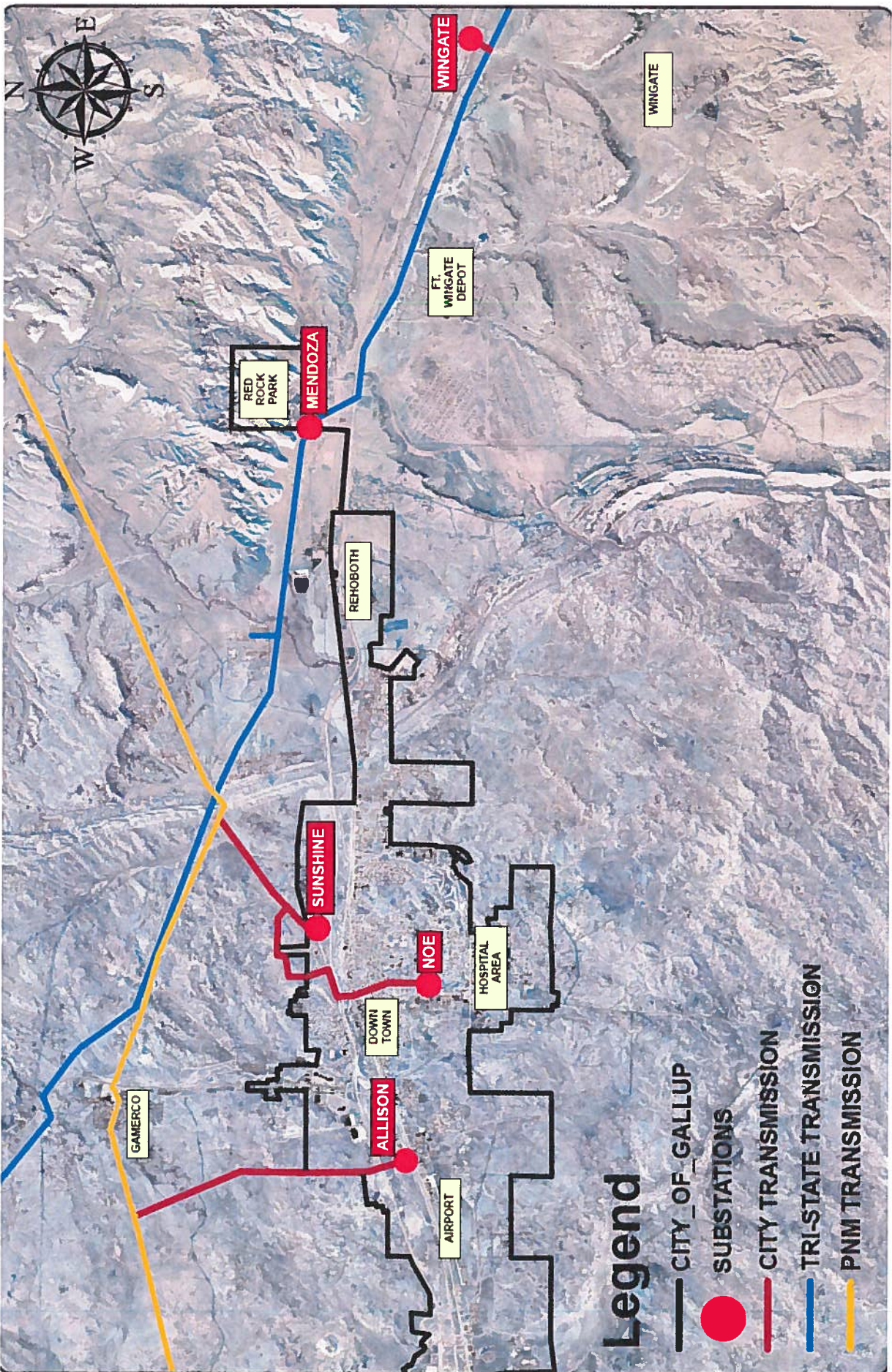
The following is a list of the City Owned Metering Points:

Substation	Measurement Voltage	Delivery Voltage	Under City/PNM NITSA	Under Tri-State Point to Point Contract
Allison	13.8 kV	13.8 kV	X	
Noe	13.8 kV	13.8 kV	X	
Sunshine	13.8 kV	13.8 kV	X	
Ft Wingate	13.8 kV	13.8 kV	X	X
Mendoza	13.2 kV	13.2 kV	X	X

Gallup Electric Service Area Map



Gallup Electric Service Area Map – Substation Locations



Electric Utility Financial Overview



RBC Capital Markets

Historical and Budgeted Net Revenue Available for Debt Service (FY2012-2015) – ACCRUAL BASIS

The following depicts the actual, audited financials from FY12 through FY14, actual unaudited financials for FY15.

	2012	Actual 2013	2014	Actual, Unaudited 2015
REVENUES				
Charges for services	23,288,785	23,301,015	28,876,219	20,698,285
Common items	(80,791)	(42,736)	199,595	373,520
	23,207,995	23,258,279	29,075,814	21,071,805
Miscellaneous income	-	-	-	-
Total Operating Income	23,207,995	23,258,279	29,075,814	21,071,805
Interest Income	259,427	52,613	6,970	(2,922,044)
Transfers In	3,558,599		349,083	134,920
Total Revenue	23,467,421	23,310,893	29,082,784	18,149,761
Interest Income	259,427	52,613	6,970	(2,922,044)
Common Items	(80,791)	(42,736)	199,595	373,520
	178,636	9,878	206,565	(2,548,524)
EXPENSES				
Personnel services	1,424,964	1,337,514	1,243,134	1,665,669
Depreciation	-	-	-	65,500
Professional and technical	77,897	186,202	166,899	573,694
Vehicle expense	110,640	124,434	83,068	94,991
Utilities	37,562	35,684	391,083	418,305
Bad debt	84,871	(1,885)	6,245	4,712
Rentals	6,158	6,566	7,098	5,890
Insurance	570,041	523,430	441,020	433,730
Maintenance and supplies	249,933	284,680	280,076	589,226
Fuel and purchased power	12,674,056	12,714,521	14,776,509	10,138,965
Franchise taxes	1,164,439	1,050,000	1,192,070	1,151,570
Miscellaneous	57,367	131,423	79,948	98,609
Shared services - GJU Admin	484,443	724,653	910,351	1,261,780
Total Operating Expenses	16,942,371	17,117,222	19,577,501	16,502,641
Total Expenses	16,942,371	17,117,222	19,577,501	16,502,641
Capital Outlay	4,712,290	414,207	(237,966)	78
Principal Repayments	-	-	-	-
	21,654,661	17,531,429	19,339,535	16,502,719
Net Income B4 Transfers	1,812,761	5,779,464	9,743,249	1,647,042
Transfers Out	3,798,510	1,243,210	2,916,246	1,670,629
Net Income	(1,985,749)	4,536,254	6,827,004	(23,587)
Operating Income	6,265,624	6,141,057	9,498,313	4,569,164

Historical and Budgeted Net Revenue Available for Debt Service (FY2010-2015) – CASH BASIS

The following depicts the actual Revenues and Expenses from FY2010 through FY2014 and the FY2015 Budgeted figures

		Actual			Budgeted
		FY2010	FY2011	FY2012	FY2015
1	REVENUES				
2	Charges for services				
3	Residential	4,991,736	5,350,417	5,675,121	5,855,841
4	Commercial	15,437,990	16,369,275	16,736,849	16,789,025
5	Industrial	388,083	397,844	385,685	360,139
6	Utility Work Orders	0	0	0	0
8	Transfers In Operating Grants	0	0	0	0
9	Other Charges for Services	(46,300)	0	0	0
10	Total Operating Revenues	20,771,509	22,117,537	22,797,655	23,005,006
11	Interest income	147,805	(1,269)	0	0
12	Total Revenues	20,919,313	22,116,268	22,797,655	23,005,006
17	EXPENSES				
28	Personnel Services	1,382,385	1,432,260	1,424,964	1,395,328
60	Operating Expenses	14,188,441	14,947,448	15,371,705	14,333,886
61					
62	Total Expenses	15,570,827	16,379,708	16,796,669	15,729,214
65	Operational Expenses	15,570,827	16,379,708	16,796,669	15,729,214
66	Capital Outlay	303,205	404,399	449,867	362,708
68	Total Expenses	15,874,031	16,784,107	17,246,536	16,091,922
69	Net Income Before Transfers	5,348,487	5,736,560	6,000,986	7,275,791
70	General Fund Transferred (8% 2016 forward)		(1,393,165)	(3,784,513)	(1,139,618)
71	Net Revenue Available for Debt Service	5,348,487	4,343,394	2,216,473	6,136,173
72	Operating Income	5,200,682	5,737,829	6,000,986	7,275,791

Projected Net Revenue Available for Debt Service and Coverage (FY2016-2026)

The following depicts the Budgeted Revenues and Expenses for FY2016 and projected figures assuming the items below

		Projected											
		Budgeted	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026
1	REVENUES												
2	Charges for services												
3	Residential		5,367,143	5,751,164	5,636,421	5,523,981	5,413,798	5,305,828	5,200,026	5,096,350	4,994,757	4,895,206	4,797,657
4	Commercial		16,047,567	17,486,425	17,392,164	17,298,856	17,206,490	17,115,053	17,024,536	16,934,929	16,846,221	16,758,404	16,671,468
5	Industrial		725,545	793,287	793,287	793,287	793,287	793,287	793,287	793,287	793,287	793,287	793,287
10	Total Operating Revenues		22,352,755	24,155,876	23,946,872	23,741,124	23,538,574	23,339,168	23,142,849	22,949,566	22,759,265	22,571,896	22,387,411
12	Total Revenues		22,352,755	24,155,876	23,946,872	23,741,124	23,538,574	23,339,168	23,142,849	22,949,566	22,759,265	22,571,896	22,387,411
17	EXPENSES												
28	Personnel Services		2,204,454	2,259,565	2,316,054	2,373,956	2,433,305	2,494,137	2,556,491	2,620,403	2,685,913	2,753,061	2,821,887
60	Operating Expenses		15,436,484	16,005,961	16,340,439	17,028,016	17,272,414	17,614,725	18,641,473	18,633,740	18,630,653	18,663,460	18,638,525
61													
62	Total Expenses		17,640,938	18,265,527	18,656,493	19,401,972	19,705,719	20,108,862	21,197,964	21,254,143	21,316,566	21,416,521	21,460,413
65	Operational Expenses		17,640,938	18,265,527	18,656,493	19,401,972	19,705,719	20,108,862	21,197,964	21,254,143	21,316,566	21,416,521	21,460,413
66	Total Capital Outlay		1,033,630	1,179,796	2,813,353	992,626	3,296,679	816,596	837,011	857,936	879,384	901,369	923,903
67	Total Expenses		18,674,568	19,445,322	21,469,846	20,394,598	23,002,398	20,925,458	22,034,974	22,112,079	22,195,951	22,317,890	22,384,316
68	Net Income Before Transfers		3,678,187	4,710,554	2,477,025	3,346,526	536,177	2,413,710	1,107,875	837,487	563,314	254,006	3,095
69	GF Transferred (8%)		(1,788,220)	(1,932,470)	(1,915,750)	(1,899,290)	(1,883,086)	(1,867,133)	(1,851,428)	(1,851,428)	(1,851,428)	(1,851,428)	(1,851,428)
70	Available for Debt Service		1,889,966	2,778,084	561,276	1,447,236	(1,346,909)	546,576	(743,553)	(1,013,941)	(1,288,114)	(1,597,422)	(1,848,333)
71	Operating Income		4,711,817	5,890,349	5,290,378	4,339,152	3,832,856	3,230,306	1,944,886	1,695,423	1,442,699	1,155,375	926,998
72	Beginning Fund Balance		9,660,285	11,550,252	14,328,336	14,889,611	16,336,847	14,989,938	15,536,514	14,792,961	13,779,020	12,490,906	10,893,484
73	Ending Fund Balance		11,550,252	14,328,336	14,889,611	16,336,847	14,989,938	15,536,514	14,792,961	13,779,020	12,490,906	10,893,484	9,045,151
74	Rate Required		0.00%	8.75%	8.75%	8.75%	8.75%	8.75%	8.75%	8.75%	8.75%	8.75%	8.75%
75	Days Cash on Hand		238.98	286.32	291.30	307.34	277.65	282.01	254.71	236.63	213.88	185.66	153.84

Assumptions:

- Revenues projection based
 - 2% decline in Residential Demand
 - 3% growth in Solar Demand
 - 0% Growth in Industrial Demand
 - 0.5% to 3% decline in other Commercial
- 2.5% Growth on Personnel and Operating Expenses
- Franchise tax is equal to 5% of Operating Revenues
- General Fund Transfer is 8% of Operating Revenues
- Purchased power grows based on contract with CDEC as listed to the right
- No bond issuance required per capital plan
- Grow Capital Outlay Requirements at 2.5%

Cost Per MWh (Contract with CDEC):

Year	Contract Year	Price	% Increase
1	6/30/14 - 6/30/15	\$ 34.71	
2	7/1/15 - 6/30/16	\$ 43.84	26.30%
3	7/1/16 - 6/30/17	\$ 46.66	6.43%
4	7/1/17 - 6/30/18	\$ 48.48	3.90%
5	7/1/18 - 6/30/19	\$ 51.30	5.82%
6	7/1/19 - 6/30/20	\$ 53.12	3.55%
7	7/1/20 - 6/30/21	\$ 58.54	10.20%
8	7/1/21 - 6/30/22	\$ 63.80	8.99%

Projected Net Revenue Available for Debt Service and Coverage (FY2016-2026) [Assumes Bond Issuance for Major Capital Outlay Requirements in 2018 & 2020]

The following depicts the Budgeted Revenues and Expenses for FY2016 and projected figures assuming the items below

		Projected											
		Budgeted											
		FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026	
1	REVENUES												
2	Charges for services												
3	Residential	5,367,143	5,700,924	5,587,183	5,475,725	5,366,505	5,259,478	5,154,601	5,051,830	4,951,125	4,852,443	4,755,746	
4	Commercial	16,047,567	17,333,670	17,240,233	17,147,740	17,056,180	16,965,542	16,875,816	16,786,992	16,699,059	16,612,008	16,525,832	
5	Industrial	725,545	786,357	786,357	786,357	786,357	786,357	786,357	786,357	786,357	786,357	786,357	
10	Total Operating Revenues	22,352,755	23,945,951	23,738,772	23,534,822	23,334,042	23,136,377	22,941,774	22,750,179	22,561,540	22,375,809	22,192,935	
12	Total Revenues	22,352,755	23,945,951	23,738,772	23,534,822	23,334,042	23,136,377	22,941,774	22,750,179	22,561,540	22,375,809	22,192,935	
17	EXPENSES												
28	Personnel Services	2,204,454	2,259,565	2,316,054	2,373,956	2,433,305	2,494,137	2,556,491	2,620,403	2,685,913	2,753,061	2,821,887	
60	Operating Expenses	15,436,484	15,995,465	16,330,034	17,017,701	17,262,187	17,604,585	18,631,419	18,623,770	18,620,767	18,653,656	18,628,801	
61													
62	Total Expenses	17,640,938	18,255,030	18,646,088	19,391,657	19,695,492	20,098,723	21,187,910	21,244,173	21,306,680	21,406,717	21,450,689	
63	Amortization (from 2018 Debt)	0	0	0	184,033	182,000	182,800	183,400	183,800	184,000	179,000	179,000	
64	Amortization (from 2020 Debt)	0	0	0	0	0	239,663	240,700	239,850	238,775	242,475	240,725	
65	Operational Expenses	17,640,938	18,255,030	18,646,088	19,575,690	19,877,492	20,521,185	21,612,010	21,667,823	21,729,455	21,828,192	21,870,414	
66	Total Capital Outlay	1,033,630	1,179,796	863,353	992,626	796,679	816,596	837,011	857,936	879,384	901,369	923,903	
67	Total Expenses	18,674,568	19,434,826	19,509,441	20,568,316	20,674,171	21,337,781	22,449,021	22,525,759	22,608,839	22,729,561	22,794,317	
68	Net Income Before Transfers	3,678,187	4,511,125	4,229,331	2,966,506	2,659,871	1,798,596	492,753	224,419	(47,299)	(353,752)	(601,382)	
69	GF Transferred (8%)	(1,788,220)	(1,915,676)	(1,899,102)	(1,882,786)	(1,866,723)	(1,850,910)	(1,835,342)	(1,835,342)	(1,835,342)	(1,835,342)	(1,835,342)	
70	Available for Debt Service	1,889,966	2,595,449	2,330,229	1,083,720	793,148	(52,314)	(1,342,589)	(1,610,923)	(1,852,641)	(2,188,094)	(2,438,724)	
71	Operating Income	4,711,817	5,690,921	5,092,684	4,143,165	3,638,550	3,037,655	1,753,864	1,506,005	1,254,860	969,092	742,246	
72	Beginning Fund Balance	9,660,285	11,550,252	14,145,701	16,475,930	17,559,650	18,352,798	18,300,484	16,957,895	15,346,973	13,464,332	11,275,237	
73	Ending Fund Balance	11,560,252	14,145,701	16,475,930	17,559,650	18,352,798	18,300,484	16,957,895	15,346,973	13,464,332	11,275,237	8,838,513	
74	Rate Required	0.00%	7.80%	7.80%	7.80%	7.80%	7.80%	7.80%	7.80%	7.80%	7.80%	7.80%	
75	Days Cash on Hand	238.98	282.84	322.52	330.52	340.12	332.34	292.13	263.68	230.65	192.25	150.39	

Assumptions:

- Revenues projection based
 - 2% decline in Residential Demand
 - 3% growth in Solar Demand
 - 0% Growth in Industrial Demand
 - 0.5% to 3% decline in other Commercial
- 2.5% Growth on Personnel and Operating Expenses

Franchise tax is equal to 5% of Operating Revenues
- General Fund Transfer is 8% of Operating Revenues

Purchased power grows based on contract with CDEC as listed to the right

No bond issuance required per capital plan

Grow Capital Outlay Requirements at 2.5%

\$2.015MM Debt Issued in 2018, 4.0%, 15 Year Amortization

\$2.565MM Debt Issued in 2020, 4.5%, 15 Year Amortization

Cost Per MWh (Contract with CDEC):

Year	Contract Year	Price	% Increase
1	6/30/14 - 6/30/15	\$ 34.71	
2	7/1/15 - 6/30/16	\$ 43.84	26.30%
3	7/1/16 - 6/30/17	\$ 46.66	6.43%
4	7/1/17 - 6/30/18	\$ 48.48	3.90%
5	7/1/18 - 6/30/19	\$ 51.30	5.82%
6	7/1/19 - 6/30/20	\$ 53.12	3.55%
7	7/1/20 - 6/30/21	\$ 58.54	10.20%
8	7/1/21 - 6/30/22	\$ 63.80	8.99%

Total Electric System Demand (kWh)

The following depicts the historical total electric system demand by rate class (Residential, Commercial and Industrial)

Rate Class	2010	% Change '09 - '10	2011	% Change '10 - '11	2012	% Change '11 - '12	2013	% Change '12 - '13	2014	% Change '13 - '14	2015	% Change '14 - '15	% Change '10 - '15
Refinery (CO)	6,655,600	(31.0%)	6,598,984	(0.9%)	5,906,908	(10.5%)	6,072,808	2.8%	5,485,620	(9.7%)	2,902,228	(47.1%)	(56.4%)
Medium Commercial (GM)	66,499,740	6.4%	66,162,120	(0.5%)	64,507,493	(2.5%)	64,490,703	(0.0%)	63,090,628	(2.2%)	61,334,365	(2.8%)	(7.8%)
Small Commercial (GS)	76,271,885	(4.3%)	76,725,571	0.6%	76,661,134	(0.1%)	77,117,510	0.6%	75,210,898	(2.5%)	74,300,743	(1.2%)	(2.6%)
Gallup Independent (IM)	483,120	(10.2%)	508,702	5.3%	596,467	17.3%	535,961	(10.1%)	512,196	(4.4%)	542,969	6.0%	12.4%
Joint Utilities (JU)	5,123,912	18.4%	3,606,287	(29.6%)	3,714,560	3.0%	4,765,478	28.3%	3,746,438	(21.4%)	4,575,601	22.1%	(10.7%)
Municipal Service (MU)	15,063,949	10.6%	10,056,280	(33.2%)	10,053,665	(0.0%)	9,586,937	(4.6%)	9,175,242	(4.3%)	8,361,118	(8.9%)	(44.5%)
Residential @	51,843,516	1.5%	52,006,758	0.3%	51,784,439	(0.4%)	51,746,234	(0.1%)	50,174,433	(3.0%)	48,112,676	(4.1%)	(7.2%)
Solar Commercial (SC)	0		81,632		177,988	118.0%	102,725	(42.3%)	110,326	7.4%	147,410	33.6%	
Severn Trent Serv. (SE)	0		3,536,175		3,580,788	1.3%	3,152,522	(12.0%)	3,477,876	10.3%	3,443,213	(1.0%)	
Signal Light (SL)	259,152	(27.1%)	235,334	(9.2%)	234,336	(0.4%)	237,037	1.2%	227,401	(4.1%)	235,909	3.7%	(9.0%)
General Solar (SO)	0		76,765		78,944	2.8%	728,320	822.6%	716,640	(1.6%)	683,360	(4.6%)	
Solar Residential (SR)	133		9,810	7,275.9%	13,215	34.7%	11,538	(12.7%)	13,999	21.3%	40,370	188.4%	
Metered Street Light (ST)	747,847	6.4%	718,775	(3.9%)	736,056	2.4%	731,899	(0.6%)	675,315	(7.7%)	679,674	0.6%	(9.1%)
TOTAL	222,948,854	0.2%	220,323,192	(1.2%)	218,045,993	(1.0%)	219,279,671	0.6%	212,617,011	(3.0%)	205,359,636	(3.4%)	(7.9%)

- The overall demand has **decreased** by 17,589,218 kWh or 7.89% since 2010

Rate Class	2010	% Change '09 - '10	2011	% Change '10 - '11	2012	% Change '11 - '12	2013	% Change '12 - '13	2014	% Change '13 - '14	2015	% Change '14 - '15	% Change '10 - '15
Residential	51,843,649	1.5%	52,016,568	0.3%	51,797,654	(0.4%)	51,757,772	(0.1%)	50,188,432	(3.0%)	48,153,046	(4.1%)	(7.1%)
Commercial	164,449,605	1.7%	161,707,640	(1.7%)	160,341,431	(0.8%)	161,449,091	0.7%	156,942,959	(2.8%)	146,285,548	(6.8%)	(11.0%)
Industrial	6,655,600	(31.0%)	6,598,984	(0.9%)	5,906,908	(10.5%)	6,072,808	2.8%	5,485,620	(9.7%)	10,921,042	99.1%	64.1%
Total	222,948,854	0.2%	220,323,192	(1.2%)	218,045,993	(1.0%)	219,279,671	0.6%	212,617,011	(3.0%)	205,359,636	(3.4%)	(7.9%)

- The residential demand has **decreased** by 7.12% since 2010
- The commercial demand has **decreased** by 11.05% since 2010
- The industrial demand has **increased** by 64.09% since 2010

Electric System Revenue (\$)

The following depicts the historical total electric system revenue by rate class (Residential, Commercial and Industrial)

Note: Demand has **decreased** but Revenue produced has **increased**

Rate Class	2010	% Change '09 - '10	2011	% Change '10 - '11	2012	% Change '11 - '12	2013	% Change '12 - '13	2014	% Change '13 - '14	2015	% Change '14 - '15	% Change '10 - '15
Refinery (CO)	\$ 388,083	(23.8%)	\$ 397,844	2.5%	\$ 385,685	(3.1%)	\$ 360,139	(6.6%)	\$ 395,948	9.9%	\$ 141,977	(64.1%)	(63.4%)
Medium Commercial (GM)	5,824,299	7.1%	6,284,369	7.9%	6,551,011	4.2%	6,317,658	(3.6%)	6,970,357	10.3%	6,578,240	(5.6%)	12.9%
Small Commercial (GS)	7,720,217	(3.8%)	8,306,740	7.6%	8,844,340	6.5%	9,153,194	3.5%	9,531,031	4.1%	8,930,320	(6.3%)	15.7%
Gallup Independent (IM)	41,064	(7.4%)	45,769	11.5%	56,923	24.4%	53,015	(6.9%)	53,421	0.8%	51,226	(4.1%)	24.7%
Joint Utilities (JU)	449,262	18.7%	341,950	(23.9%)	275,620	(19.4%)	305,715	10.9%	305,453	(0.1%)	350,756	14.8%	(21.9%)
Municipal Service (MU)	1,314,847	10.9%	948,050	(27.9%)	535,109	(43.6%)	517,654	(3.3%)	536,111	3.6%	462,863	(13.7%)	(64.8%)
Residential @	4,991,673	1.7%	5,349,134	7.2%	5,673,521	6.1%	5,854,298	3.2%	6,052,818	3.4%	5,501,125	(9.1%)	10.2%
Solar Commercial (SC)	-	-	8,832	-	20,336	130.3%	11,326	(44.3%)	13,842	22.2%	17,791	28.5%	-
Severn Trent Serv. (SE)	-	-	334,522	-	265,694	(20.6%)	246,423	(7.3%)	284,787	15.6%	265,479	(6.8%)	-
Signal Light (SL)	22,723	(27.0%)	22,263	(2.0%)	23,809	6.9%	24,650	3.5%	25,422	3.1%	24,939	(1.9%)	9.8%
General Solar (SO)	-	-	8,784	-	89,223	915.8%	85,220	(4.5%)	99,745	17.0%	86,572	(13.2%)	-
Solar Residential (SR)	63	1,283	1,927.8%	1,599	24.6%	1,543	(3.5%)	1,886	22.2%	1,886	157.2%	7,567.1%	9.3%
Metered Street Light (ST)	65,578	6.7%	67,996	3.7%	74,783	10.0%	74,169	(0.8%)	75,517	1.8%	71,679	(5.1%)	9.3%
TOTAL	\$ 20,817,809	1.2%	\$ 22,117,537	6.2%	\$ 22,797,655	3.1%	\$ 23,005,006	0.9%	\$ 24,346,336	5.8%	\$ 22,487,817	(7.6%)	8.0%

- The overall revenue has **increased** \$1,670,009 or 8.02% since 2010

Rate Class	2010	% Change '09 - '10	2011	% Change '10 - '11	2012	% Change '11 - '12	2013	% Change '12 - '13	2014	% Change '13 - '14	2015	% Change '14 - '15	% Change '10 - '15
Residential	\$ 4,991,736	1.7%	\$ 5,350,417	7.2%	\$ 5,675,121	6.1%	\$ 5,855,841	3.2%	\$ 6,054,704	3.4%	\$ 5,505,976	(9.1%)	10.3%
Commercial	15,437,990	1.8%	16,369,275	6.0%	16,736,849	2.2%	16,789,025	0.3%	17,895,686	6.6%	16,223,630	(9.3%)	5.1%
Industrial	388,083	(23.8%)	397,844	2.5%	385,685	(3.1%)	360,139	(6.6%)	395,948	9.9%	758,212	91.5%	95.4%
Total	\$ 20,817,809	1.2%	\$ 22,117,537	6.2%	\$ 22,797,655	3.1%	\$ 23,005,006	0.9%	\$ 24,346,336	5.8%	\$ 22,487,817	(7.6%)	8.0%

- The residential revenue has **increased** by \$514,240 or 10.30% since 2010
- The commercial revenue has **increased** by \$785,640 or 5.09% since 2010
- The industrial revenue has **increased** by \$370,129 or 95.37% since 2010

Electric System Revenue (\$/KWH)

The following depicts the average historical total electric system revenue per kilowatt hour by rate class (Residential, Commercial and Industrial)

Rate Class	2010	% Change '09 - '10	2011	% Change '10 - '11	2012	% Change '11 - '12	2013	% Change '12 - '13	2014	% Change '13 - '14	2015	% Change '14 - '15	% Change '10 - '15
Refinery (CO)	\$ 0.0583	10.5%	\$ 0.0603	3.4%	\$ 0.0653	8.3%	\$ 0.0593	(9.2%)	\$ 0.0722	21.7%	\$ 0.0489	(32.2%)	(16.1%)
Medium Commercial (GM)	0.0876	0.7%	0.0950	8.4%	0.1016	6.9%	0.0980	(3.5%)	0.1105	12.8%	0.1073	(2.9%)	22.5%
Small Commercial (GS)	0.1012	0.5%	0.1083	7.0%	0.1154	6.6%	0.1187	2.9%	0.1267	6.8%	0.1202	(5.2%)	18.7%
Callup Independent (IM)	0.0850	3.0%	0.0900	5.9%	0.0954	6.1%	0.0989	3.6%	0.1043	5.4%	0.0943	(9.5%)	11.0%
Joint Utilities (JU)	0.0877	0.2%	0.0948	8.1%	0.0742	(21.7%)	0.0642	(13.5%)	0.0815	27.1%	0.0767	(6.0%)	(12.6%)
Municipal Service (MU)	0.0873	0.2%	0.0943	8.0%	0.0532	(43.5%)	0.0540	1.4%	0.0584	8.2%	0.0554	(5.3%)	(36.6%)
Residential ®	0.0963	0.2%	0.1029	6.8%	0.1096	6.5%	0.1131	3.3%	0.1206	6.6%	0.1143	(5.2%)	18.8%
Solar Commercial (SC)					0.1143		0.1103	(3.5%)	0.1255	13.8%	0.1207	(3.8%)	
Severn Trent Serv. (SE)					0.0742		0.0782	5.3%	0.0819	4.8%	0.0771	(5.8%)	
Signal Light (SL)	0.0877	0.2%	0.0946	7.9%	0.1016	7.4%	0.1040	2.4%	0.1118	7.5%	0.1057	(5.4%)	20.6%
General Solar (SO)					1.1302		0.1170	(89.6%)	0.1392	19.0%	0.1267	(9.0%)	
Solar Residential (SR)	0.4757		0.1308	(72.5%)	0.1210	(7.5%)	0.1338	10.5%	0.1347	0.7%	0.1202	(10.8%)	(74.7%)
Metered Street Light (ST)	0.0877	0.2%	0.0946	7.9%	0.1016	7.4%	0.1013	(0.3%)	0.1118	10.3%	0.1055	(5.7%)	20.3%
TOTAL	\$ 0.0934	0.9%	\$ 0.1004	7.5%	\$ 0.1046	4.2%	\$ 0.1049	0.3%	\$ 0.1145	9.1%	\$ 0.1095	(4.4%)	17.3%

Rate Class	2010	% Change '09 - '10	2011	% Change '10 - '11	2012	% Change '11 - '12	2013	% Change '12 - '13	2014	% Change '13 - '14	2015	% Change '14 - '15	% Change '10 - '15
Residential	0.0963	0.2%	0.1029	6.8%	0.1096	6.5%	0.1131	3.3%	0.1206	6.6%	0.1143	(5.2%)	18.8%
Commercial	0.0939	0.1%	0.1012	7.8%	0.1044	3.1%	0.1040	(0.4%)	0.1140	9.7%	0.1109	(2.7%)	18.1%
Industrial	0.0583	10.5%	0.0603	3.4%	0.0653	8.3%	0.0593	(9.2%)	0.0722	21.7%	0.0694	(3.8%)	19.1%
Total	0.0934	0.9%	0.1004	7.5%	0.1046	4.2%	0.1049	0.3%	0.1145	9.1%	0.1095	(4.4%)	17.3%

Next Steps

- Cost of service study, start in February
- 1 year rate increase via the adoption of a rate ordinance
- Analyze every 12 months

Minutes of the Regular Meeting of the Gallup City Council, City of Gallup, New Mexico, held in the Council Chambers at City Hall, 110 West Aztec Avenue, at 6:00 p.m. on Tuesday, January 12, 2016.

The meeting was called to order by Mayor Jackie McKinney.

Upon roll call, the following were present:

Mayor: Jackie McKinney

Councilors: Linda Garcia
Allan Landavazo
Yogash Kumar
Fran Palochak

Also present: Maryann Ustick, City Manager
George Kozeliski, City Attorney

Presented to the Mayor and Councilors were the Minutes of the Special and Regular Meetings of December 8, 2015 and the Special Meeting of December 15, 2015.

Councilor Palochak made the motion to approve the aforementioned Minutes. Seconded by Councilor Garcia. Roll call: Councilors Palochak, Garcia, Kumar, Landavazo, and Mayor McKinney all voted yes.

The Mayor and Councilors presented a Certificate of Retirement to Peter Becenti, Jr., Park Supervisor at Red Rock Park.

Presented to the Mayor and Councilors were the following Discussion/Action Topics:

1. Resolution No. R2016-2; Acceptance of Legislative Appropriation 15-0942 for the Allison Road Bridge Construction Project – Stan Henderson, Public Works Director

Mr. Henderson said Governor Susana Martinez authorized \$4.5 million in State funding for the project in three separate grants. Resolution No. R2016-2 would authorize the acceptance of \$2,250,000 of the State's appropriation for the project.

Councilor Garcia made the motion to approve Resolution No. R2016-2. Seconded by Councilor Palochak. Roll call: Councilors Garcia, Palochak, Landavazo, Kumar, and Mayor McKinney all voted yes.

2. Resolution No. R2016-3; Acceptance of Legislative Appropriation 15-1034 for the Allison Road Bridge Construction Project – Stan Henderson, Public Works Director

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Mr. Henderson said Resolution No. R2016-3 would authorize the acceptance of \$1,600,000 of the State's appropriation for the project.

Councilor Palochak made the motion to approve Resolution No. R2016-3. Seconded by Councilor Landavazo. Roll call: Councilors Palochak, Landavazo, Kumar, Garcia, and Mayor McKinney all voted aye.

3. Resolution No. R2016-4; Acceptance of Legislative Appropriation 15-1029 for the Allison Road Bridge Construction Project – Stan Henderson, Public Works Director

Mr. Henderson said Resolution No. R2016-4 would authorize the acceptance of \$650,000 of the State's appropriation for the project.

Councilor Kumar made the motion to approve Resolution No. R2016-4. Seconded by Councilor Palochak. Roll call: Councilors Kumar, Palochak, Landavazo, Garcia, and Mayor McKinney all voted yes.

4. Construction Contract Award for Downtown NM 118 Pedestrian Safety Improvements – Stan Henderson Public Works Director

Mr. Henderson presented the bid results for the work to be done at the intersections on NM Highway 118 from Strong Drive to Third Street. The project provides for traffic calming, pedestrian safety and Americans with Disabilities Act (ADA) improvements. As currently budgeted, Mr. Henderson said the project is underfunded by about \$100,000. He said there is a project savings of about \$130,000 from the recently completed College and Hospital Drive Reconstruction Project and recommended transferring the \$130,000 to the Downtown NM 118 Pedestrian Safety Project. Based on the bids submitted, Mr. Henderson recommended award of the construction contract to H.O. Construction in the amount of \$563,684.25.

Councilor Palochak made the motion to award the construction contract for the Downtown NM 118 Pedestrian Safety Improvements to H.O. Construction in the amount of \$563,684.25 and to approve the budget transfer of \$130,000 from the College and Hospital Drive Reconstruction Project to the Downtown NM 118 Pedestrian Safety Project. Seconded by Councilor Garcia. Roll call: Councilors Palochak, Garcia, Kumar, Landavazo, and Mayor McKinney all voted yes.

5. Resolution No. R2016-5; A Resolution Adopting a City Residential Anti-Displacement and Relocation Assistance Plan for Calendar Year 2016 – Stan Henderson, Public Works Director

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Mr. Henderson said when federal funds, such as Community Development Block Grant (CDBG) funds are used in a project involving the acquisition, rehabilitation, or demolition of real property, the Uniform Relocation Assistance and Real Properties Acquisition Policies Act (URA) may apply. The purpose of the URA is to provide fair and equitable treatment for persons whose real property is acquired or for persons displaced as a result of a CDBG funded project or activity. The proposed Resolution and Residential Anti-Displacement and Relocation Assistance Plan must be adopted on an annual basis regardless of whether the City is undertaking relocation activities.

Discussion followed concerning the City's utilization of its Residential Anti-Displacement and Relocation Assistance Plan when the City utilized CDBG funds to renovate homes over 20 years ago.

Councilor Garcia made the motion to approve Resolution No. R2016-5. Seconded by Councilor Landavazo. Roll call: Councilors Garcia, Landavazo, Palochak, Kumar, and Mayor McKinney all voted yes.

6. Resolution No. R2016-6; A Resolution Adopting a HUD Section 3 Plan for Calendar Year 2016 – Stan Henderson, Public Works Director

Mr. Henderson said Section 3 is a provision of the Housing and Urban Development (HUD) Act of 1968 that helps foster local economic development, neighborhood economic improvement and individual self-sufficiency. The program requires recipients of certain HUD financial assistance such as CDBG funds, to provide job training, employment and contracting opportunities for low or very low income residents in connection with projects and activities in their community to the greatest extent feasible. The proposed Resolution and HUD Section 3 Plan must be adopted on an annual basis for CDBG projects.

Councilor Landavazo made the motion to approve Resolution No. R2016-6. Seconded by Councilor Palochak. Roll call: Councilors Landavazo, Palochak, Garcia, Kumar, and Mayor McKinney all voted yes.

7. Resolution No. R2016-7; 2016 CDBG Citizens Participation Plan – Stan Henderson, Public Works Director

Mr. Henderson said a Citizen Participation Plan is a federal requirement for grantees receiving CDBG funds. The Citizen Participation Plan states that citizens will be provided with reasonable notice and timely access to local meetings to solicit their input and project ideas for the CDBG program. The proposed Resolution and Citizen Participation Plan must be adopted on an annual basis for CDBG projects.

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Discussion followed concerning the level of attendance and participation by citizens at public meetings to solicit their input and project ideas for the CDBG program. City staff's efforts to hold such meetings at Councilors' Neighborhood District Meetings were also discussed.

Councilor Palochak made the motion to approve Resolution No. R2016-7. Seconded by Councilor Kumar. Roll call: Councilor Palochak, Kumar, Garcia, Landavazo, and Mayor McKinney all voted yes.

8. Resolution No. R2016-8; 2016 CDBG Procurement Policy Adoption – Stan Henderson, Public Works Director

Mr. Henderson said the New Mexico Department of Finance and Administration requires the City to annually adopt a procurement policy for CDBG projects. The proposed resolution would certify the City's compliance with the Federal and New Mexico Procurement Codes.

Councilor Kumar made the motion to approve Resolution No. R2016-8. Seconded by Councilor Garcia. Roll call: Councilors Kumar, Garcia, Landavazo, Palochak, and Mayor McKinney all voted yes.

9. 2016 CDBG Fair Housing Proclamation – Stan Henderson, Public Works Director

Mr. Henderson said as a requirement for CDBG funding, each local government must annually certify that it will affirmatively further fair housing. He presented the proposed Fair Housing Proclamation which publicizes the City's commitment to fair housing and proclaims Tuesday, February 16, 2016 as Fair Housing Day in Gallup.

Councilor Landavazo made the motion to approve the 2016 CDBG Fair Housing Proclamation. Seconded by Councilor Palochak. Roll call: Councilors Landavazo, Palochak, Garcia, Kumar, and Mayor McKinney all voted yes.

10. Appointment of Terry Proffitt to the Labor Management Relations Board – Mayor Jackie McKinney

Mayor McKinney said the current makeup of the Board consists of Mr. Proffitt representing management, Brenda Duran representing labor, and John Beeman serving as the impartial member of the Board. Although Mr. Proffitt has expressed interest in serving another term, Ms. Duran is unable to serve another term and Mr. Beeman has moved out of town. City staff is in the process of obtaining recommendations from the

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City's unions concerning the appointment of labor's representative on the Board. Once the members representing management and labor are in place, the two Board members will need to submit their nomination for the third member of the Board. In the meantime, Mayor McKinney recommended the re-appointment of Mr. Proffitt to serve as management's representative on the Board.

Councilor Palochak made the motion to approve the re-appointment of Terry Proffitt to the Labor Management Relations Board. Seconded by Councilor Kumar. Roll call: Councilors Palochak, Kumar, Garcia, Landavazo, and Mayor McKinney all voted yes.

11. Appointment of Roger Morris to the Gallup Housing Authority Board of Commissioners – Mayor Jackie McKinney

Mayor McKinney said the City suffered a great loss with the passing of Commissioner James Seay last October. Mayor McKinney recognized Commissioner Seay's dedication and service to the community. In order for the Gallup Housing Authority to move forward, Mayor McKinney recommended the appointment of Roger Morris to the Board of Commissioners.

Councilor Landavazo made the motion to approve the appointment of Roger Morris to the Gallup Housing Authority Board of Commissioners. Seconded by Councilor Kumar. Roll call: Councilors Landavazo, Kumar, Garcia, Palochak, and Mayor McKinney all voted yes.

12. Authority to Proceed with Legal Action to Foreclose the Lien on the Property Owned by B.E.I., Inc. (Doug Bishop) at 405 West Hill – George Kozeliski, City Attorney

Mr. Kozeliski said the City filed a lien on the property in the amount of \$43,130.18 for the cost for demolishing the property pursuant to condemnation action authorized by the Mayor and Councilors. Since Mr. Bishop has not responded to the City's demand for payment of the outstanding amount owed to the City, Mr. Kozeliski asked the Mayor and Councilors for authorization to proceed with legal action to foreclose the lien and to sell the property. Mr. Kozeliski also said the costs for demolition are significantly higher due to new federal laws requiring asbestos abatement on residential properties.

Councilor Landavazo asked about the current fair market value of the property to be sold. Mr. Kozeliski said the fair market value of the property is unknown at this time and the property taxes have not been paid for two years. Regarding the sale of the property, Mr. Kozeliski said the City may receive bids higher than the minimum bid since there are other structures that are being rented on the property. Mr. Kozeliski said the

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City may recover some of the cost of the demolition; however, it will not recover all of the costs due to delinquent taxes being owed on the property.

Councilor Garcia made the motion to proceed with legal action to foreclose the lien on the property owned by B.E.I., Inc. (Doug Bishop) at 405 West Hill. Seconded by Councilor Kumar. Roll call: Councilors Garcia, Kumar, Landavazo, Palochak, and Mayor McKinney all voted yes.

13. Ordinance No. C2016-1; An Ordinance Amending the Makeup of the Board Members on the Sustainable Gallup Board – George Kozeliski, City Attorney

Mr. Kozeliski said a recommendation has been made for all board members to be at-large members, residents of Gallup and for the City's Conservation Coordinator to be an ex-officio, non-voting member. The proposed ordinance would include the recommended changes and it would increase the at-large members on the board from six to seven.

Councilor Kumar made the motion to approve Ordinance No. C2016-1. Seconded by Councilor Palochak. Roll call: Councilors Kumar, Palochak, Landavazo, Garcia, and Mayor McKinney all voted yes.

14. Award of Contract for Golf Course Irrigation Improvements – Vince Tovar, Gallup Water and Sanitation Director

Mr. Tovar presented the results of the re-bid for the work to be done at the Fox Run Golf Course. He also recommended the approval a 10% contingency for the project.

Howard Kaplan, Wilson and Company, spoke in favor of Mr. Tovar's recommendation for a 10% contingency for the project. He also provided an overview of the bid process and recommended award of the contract to Mid-America Golf & Landscape, Inc. in the amount of \$2,980,381.24. George Radnovich, Sites Southwest, was also present to answer questions regarding the project.

Discussion followed concerning the allocation of the proposed 10% contingency for the project; the work to be done under the project including drainage improvements, pump station improvements, renovations of the pond areas; the time frame for the commencement and completion of the project; the length of time for the grass to germinate, thicken and grow in order for the course to become playable; and the amount of the bid compared to the engineer's estimate for the improvements.

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Councilor Kumar made the motion to award the contract for golf course irrigation improvements to Mid-America Golf & Landscape, Inc. in the amount of \$2,980,381.24 with the recommended contingency. Seconded by Councilor Landavazo. Roll call: Councilors Kumar, Landavazo, Palochak, Garcia, and Mayor McKinney all voted yes.

15. Resolution No. R2016-1; Annual Determination of Notice Under the Open Meetings Act – Alfred Abeita, City Clerk

Mr. Abeita said the New Mexico Open Meetings Act requires all public bodies to determine at least on an annual basis, what constitutes reasonable notice to the public of its meetings. The proposed resolution provides recommended notice procedures for the Council to conduct its regular, special, and emergency meetings. The proposed resolution is also considered sufficient and reasonable notice of the regular meetings of the City Council to be held at 6:00 p.m. on the second and fourth Tuesdays of each month.

Councilor Palochak made the motion to approve Resolution No. R2016-1. Seconded by Councilor Garcia. Roll call: Councilors Palochak, Garcia, Kumar, Landavazo, and Mayor McKinney all voted yes.

16. **Public Hearing:** Proposed Issuance of a Restaurant (Beer and Wine) License to G & W Industries, Inc. d/b/a Smokey's, 505 North Highway 491 – George Kozeliski, City Attorney

Mr. Kozeliski presented the information relative to conducting the public hearing on the proposed issuance of the restaurant license. He said the proposed location for the license does not violate the distance requirements under the State Liquor Control Act with regards to the location of nearby churches and schools and the proposed location is in compliance with the City's zoning regulations. The only criteria the Mayor and Councilors could disapprove the issuance of the license is if the issuance of the license would be detrimental to the public health, safety, or morals of the residents of the Local Option District. Disapproval by the Mayor and Councilors on public health, safety or morals must be based on evidence pertaining to the specific applicant and location.

Mayor McKinney asked if there was anyone to present testimony against the issuance of the license. There was none.

Mayor McKinney asked if there anyone to present testimony for the issuance of the license.

Jay Mason, Attorney-at-Law representing G & W Industries, Inc., was duly sworn and

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stated that his clients intend to comply with the rules and regulations pertaining to the sale of beer and wine at their restaurant. Mr. Mason said the location of Smokey's is the former Furr's Restaurant and the business premises have been improved by the owners. He said support for the business has been expressed by the members of the City Council, members of the neighborhood and the owners of Rio West Mall. Mr. Mason said he and the owners of Smokey's are in attendance and are willing to answer any questions regarding the business.

Councilor Palochak asked if security was provided at the restaurant. Mr. Mason responded yes. Willie Roy, Jr. of G & W Industries, Inc. and co-owner of Smokey's, was duly sworn and said his company hired the security business at the mall to provide security services at Smokey's. Mr. Mason also testified that the security services are included in the lease of the property with Rio West Mall.

Councilor Landavazo said he recently visited Smokey's and was impressed with the investment made by the owners. Councilor Landavazo said the business is a great addition to the restaurant community in Gallup as he always encourages everyone to buy, believe and build Gallup at every City Council meeting.

Councilor Garcia said she also recently visited Smokey's and agrees with Councilor Landavazo's comments. Councilor Garcia said the business provides a great atmosphere for families and is an improvement to District 1 and Gallup as a whole. Councilor Garcia said she is very proud about local citizens investing their money in Gallup.

Mayor McKinney commended the owners on the improvements made to the interior of the restaurant. Mayor McKinney also commended the owners on the quality of food he sampled during a recent visit. Mayor McKinney said Smokey's will provide Gallup with a variety of food to entice tourists and local residents.

Councilor Kumar welcomed the owners and said he was pleased to see the Councilors show support of the issuance of the license. As a hotel owner, Councilor Kumar said customers need additional food choices in the community.

Councilor Garcia made the motion to approve the proposed issuance of a Restaurant (Beer and Wine) License to G & W Industries, Inc. d/b/a Smokey's, 505 North Highway 491. Seconded by Councilor Palochak. Roll call: Councilors Garcia, Palochak, Landavazo, Kumar, and Mayor McKinney all voted yes.

Comments by Public on Non-Agenda Items

Peter Ippel expressed his concerns with Governor Martinez's position of not welcoming

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Syrian refugees to New Mexico. He asked the Mayor and Councilors to adopt a resolution to show support of welcoming Syrian refugees to Gallup. Mr. Ippel believes Gallup has a history of accepting people since it stood up against the rest of the country when Japanese-Americans were being sent to internment camps during World War II. He said the Governor's Office stated that the reason for the Governor's stance is for the security of all New Mexicans. Mr. Ippel does not believe the Governor's stance on the issue is in the best interest of security nor does he believe that the Governor has the authority to deny refugees. Although Gallup does not have a resettlement agency, which is required to have refugees in Gallup, Mr. Ippel said by adopting a resolution, Gallup can make a statement regarding the issue.

Mayor McKinney asked Ms. Ustick and Mr. Kozeliski to obtain additional information regarding the issue for the Mayor and Councilors. Once the Council reviews the information, Mayor McKinney said the Council may provide their input on the matter to Ms. Ustick.

Comments by Mayor and City Councilors

Councilor Palochak commended the Gallup Police Department for all their work, especially with the capture of a fugitive from Taos. Councilor Palochak also commended the Electric Department for their work in restoring power to the Stagecoach area last night around 11:00 p.m. Councilor Palochak said she will hold her Neighborhood Meeting on Thursday, January 14, 2016 at 6:00 p.m. at Stagecoach Elementary School. She encouraged all residents of Gallup to attend.

Councilor Landavazo encouraged everyone to "keep building" and to "support Gallup."

Based on the award of the contract for the golf course irrigation improvements, Councilor Kumar said it was the right move to put money into the golf course since it has been neglected for a long time. Councilor Kumar said he hopes everyone will have a healthy and prosperous new year.

Councilor Garcia said she hold her Neighborhood Association Meetings on the last Wednesday of every month at the Northside Senior Center at 6:30 p.m. Unfortunately, she will need to cancel her January meeting since she will be out of town. Councilor Garcia's first meeting of the year will take place on Wednesday, February 24, 2016. In the meantime, Councilor Garcia asked everyone to call her if they need to contact her about any issues.

Mayor McKinney assured all residents that City crews are working to repair potholes on City streets. Every winter, Mayor McKinney said he receives phone calls immediately after every storm when the asphalt breaks apart. Mayor McKinney commended Mr.

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Henderson and his staff for their work in repairing the potholes. Mayor McKinney also said the City has to work with the New Mexico Department of Transportation for repairing the potholes on the State roadways in Gallup, which include Highway 66, Highway 491, Second Street and Maloney Avenue.

Comments by City Attorney and City Manager

Mr. Kozeliski said the City will be hosting the State High School Rodeo Finals and State Junior High School Rodeo Finals later this year. Both rodeos will be combined and the dates of the finals will be determined.

Ms. Ustick said there will be a Work Session held on January 26, 2016 at 4:30 p.m. concerning the Growth Management Master Plan Update.

There being no further business, Councilor Landavazo made the motion to adjourn the meeting. Seconded by Councilor Palochak. Roll call: Councilors Landavazo, Palochak, Garcia, Kumar, and Mayor McKinney all voted yes.


Jackie McKinney, Mayor

ATTEST:


Alfred Abeita II, City Clerk

Approved 1/26/2016